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Message Text

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20
ORIGIN EUR-25

INFO OCT-01 ISO-00 SCS-03 AID-20 CIAE-00 COME-00 EB-11

FRB-03 INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-03 LAB-06 SIL-01 OMB-01 L-03 SS-20 NSC-07

/138 R

DRAFTED BY EUR/EE:CBROWN/DMILLER/FDR
APPROVED BY EUR:JAARMITAGE
SCS:JSAMPAS (PHONE)
EB/OMA:MMINNIES
TREASURY:SCANNER (INFO)
---------- 073854
R 302128Z SEP 74
FM SECSTATE WASHDC
TO AMEMBASSY WARSAW

C O N F I D E N T I A L STATE 215277

E.O. 11652: GDS
TAGS: EFIN,ETRD,PL,US
SUBJECT: GIEREK VISIT;FINANCIAL ASPECTS
REF:A.STATE 202932; B. 215045

1. FOLLOWING IS SUMMARY OF WHERE WE NOW STAND ON FINANCIAL PACKAGE FOR GIEREK VISIT. THIS INFO IS FOR THE EMBASSY'S USE ONLY AND SHOULD NOT RPT NOT BE COMMUNICATED TO GOP.

2. WE HAVE GENERAL INTERAGENCY CONSENSUS ON A PARTIAL ROLL-OVER OF PL 480 DOLLAR CONVERSIONS FOR 1975-77 -- FIRMLY LINKED, HOWEVER, WITH TERMINATION OF 1968 ANNUITY AGREEMENT. DURING VISIT WE PLAN TO INFORM POLES ONLY THAT ANNUITY AGREEMENT WILL BE ONE PART OF OUR PROPOSAL, AND THAT WE ARE WILLING TO ENTER NEGOTIATIONS IN NEAR FUTURE ON PARTIAL ROLLOVER OF 1975-77 CONVERSIONS.

3. $51 MILLION IN DOLLAR CONVERSIONS ARE SCHEDULED 1975-77.
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TREASURY PROPOSES MAXIMUM $15 MILLION DEFERMENT, WHILE STATE

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IS SEEKING HIGHER SUM. WHATEVER THE EXACT SUM, IT WILL REFLECT A DEDUCTION FROM FULL $51 MILLION. ALTHOUGH THE REMAINDER WILL HAVE TO BE CONVERTED, AN ESTIMATED ADDITIONAL 26 MILLION DOLLARS WILL BE OFFSET BY DOLLAR INCOME TO POLAND RESULTING FROM ANNUITY AGREEMENT TERMINATION. ON ASSUMPTION THAT INITIATION OF DOLLAR PAYMENTS TO ANNUITANTS WILL BRING IMMEDIATE DOLLAR INCOME ATTRACTIVE TO GOP,WE WILL INSIST ON

TERMINATION CONDITIONS DESIGNED TO PROTECT PURCHASING POWER OF US ANNUITANTS. PACKAGE WILL PROVIDE FOR INTEREST PAYMENTS IN 8 1/2 PERCENT RANGE; ALSO MAY INCLUDE PURCHASE COMMITMENT AND HOUSING AVAILABILITIES.

4. REF B COMMENTING ON TEXT OF S&T JOINT FINANCING AGREEMENT INDICATES STATUS OF PL 480 ZLOTY FINANCING OF ENERGY RESEARCH. THIS PROPOSED CONTRIBUTION FOR ENERGY RESEARCH WOULD ALSO BE OUR INDUCEMENT TO POLES TO BEGIN JOINT FINANCING S&T.

5. NO CHANGE ON DANZIG GOLD/BONDS FROM REF A ON POLISH BONDS, WOODS INFORMS US THAT 'HILE FBPC AND POLISH OFFERS REMAIN FAR APART, HE THINKS CHANCES TO SPLIT THE DIFFERENCE ARE GOOD, WHICH WOULD YIELD AGREEMENT SATISFACTORY TO OUR SIDE. INGERSOLL

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